

Message Text

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ACTION EB-08

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TO SECSTATE WASHDC 4673

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY MEXICO CITY

UNCLAS BRASILIA 9406

E.O. 11652: N/A

TAGS: ETRD, BR, MX

SUBJECT: MEXICAN PETROLEUM DELEGATION VISITS BRAZIL

1. SUMMARY. A DELEGATION FROM THE MEXICAN PETROLEUM CORPORATION MADE AN OFFICIAL VISIT TO BRAZIL NOVEMBER 3-NOVEMBER 9. ACCORDING TO THE PRESS, THE MAIN PURPOSE OF THE VISIT WAS TO NEGOTIATE THE SALE OF MEXICAN OIL IN EXCHANGE FOR THE IMPORT OF BRAZILIAN GOODS. END SUMMARY.

2. THE MEXICAN DELEGATION MET WITH THE MINISTER OF MINES AND ENERGY; THE MINISTER OF INDUSTRY AND COMMERCE; THE PRESIDENT OF PETROBRAS (THE GOB STATE OIL COMPANY); AND HIGH OFFICIALS OF THE PETROBRAS SUBSIDIARIES PETROQUISA (PETROCHEMICALS), INTERBRAS (TRADING COMPANY) AND BRAS-PETRO (FOREIGN PETROLEUM EXPLORATION).

3. PRESS REPORTS STRESSED THAT THIS WAS THE FOURTH VISIT TO BRAZIL OF THE PRESIDENT OF PEMEX JORGE DIAZ SERRANO. PEMEX SALES ATTEMPTS

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HAVE FAILED SO FAR DUE TO THE HIGHER CIF PRICE OF MEXICAN OIL--REPORTEDLY \$14.20 BARREL-- COMPARED TO MIDDLE EAST SUPPLIES. DIAZ SERRANO, HOWEVER, DECLARED TO THE PRESS THAT THE BOTTLENECK REPRESENTED BY HIGHER FREIGHT COSTS TO BRAZIL WILL BE REMOVED BY THE IMPROVEMENT OF MEXICAN PORTS WITH A VIEW TO ALLOWING OPERATIONS WITH SUPERTANKERS. IN ADDITION,

POSSIBLE BILATERAL EXCHANGE AGREEMENTS COULD ENCOURAGE SALES.

4. A US\$1 MILLION SALE OF MEXICAN AMMONIA TO PETROBRAS, TO BE DELIVERED BETWEEN DECEMBER 1977 AND JANUARY 1978, AS ANNOUNCED BY THE PRESS, WAS THE ONLY CONCRETE RESULT OF THIS PEMEX VISIT TO BRAZIL. FURTHER AMMONIA SALES OF 100,000 TONS PER YEAR COULD BE NEGOTIATED IN THE FUTURE, ACCORDING TO THE PRESS.

5. WHEN QUESTIONED BY REPORTERS, GOB MINES AND ENERGY MINISTER SHIGEAKI UEKI EXPRESSED THE VIEW THAT MEXICO COULD BECOME A PETROLEUM SUPPLIER OF BRAZIL, BUT THAT FURTHER CONTACTS ARE NECESSARY IN ORDER TO CONCLUDE AN AGREEMENT. UEKI SAID THAT IN THE MEANTIME COMPANHIA VALE DO RIO DOCE (A GOB MINING COMPANY) WAS OFFERING MINERALS, IRON, ALUMINUM AND WOOD PULP TO MEXICO, BUT HE POINTED OUT THAT VALE DO RIO DOCE OFFERS WERE NOT CONNECTED WITH THE PEMEX VISIT.

6. ANGELO CALMON DE SA, MINISTER OF INDUSTRY AND COMMERCE, REMARKED TO THE PRESS AFTER MEETING WITH THE PEMEX DELEGATION THAT PEMEX WAS INTERESTED IN SELLING TO BRAZIL CHEMICALS AND PETROLEUM AND MIGHT BUY IRON ORE AND ORE PELLETS FROM BRAZIL. IN THIS REGARD, HOWEVER, NO SPECIFIC OFFERS WERE MADE BY UNCLASSIFIED

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DIAZ SERRANO, BUT PRESIDENT GEISEL'S VISIT TO MEXICO ON JANUARY 1978 COULD OPEN THE WAY FOR CONCRETE NEGOTIATIONS, THE MINISTER SAID.

7. "FOLHA DE SAO PAULO" OF NOVEMBER 3 PUBLISHED A REPORT ABOUT MEXICAN POTENTIAL AS A PETROLEUM PRODUCER AND MANUFACTURER OF PETROCHEMICALS, AND STRESSED THE IMPORTANCE OF AN INTENSIFIED TECHNICAL COOPERATION BETWEEN PEMEX AND PETROBRAS. "O GLOBO" (RIO), NOVEMBER 9, AFFIRMED THAT PEMEX IS MAKING EFFORTS TO DIVERSIFY ITS FOREIGN MARKET OUTLETS, PRESENTLY LIMITED TO THE US AND ISRAEL, IN ORDER TO ACCOUNT FOR A PROSPECTIVE PRODUCTION INCREASE FROM A CURRENT RATE OF 1.1 MILLION BARRELS/DAY TO 2.2 MILLION BARRELS/DAY IN 1982. THIS PRODUCTION INCREASE, ACCORDING TO THE STORY, WOULD ALLOW MEXICO TO EXPAND ITS PETROLEUM EXPORTS FROM 260 THOUSAND BARRELS/DAY NOW TO 1.1 MILLION BARRELS/DAY IN 1982.

2. ACCORDING TO GAZETA MERCANTIL (SAO PAULO) OF NOVEMBER 9, DIAZ SERRANO SAID THAT THE EXTENT OF THE EXPANSION OF MEXICAN-BRAZILIAN TRADE RELATIONS WAS

LIMITED BEAUSE OF THE ECONOMIC SIMILARITY OF THE TWO COUNTRIES. HE NOTED, FOR INSTANCE, THAT BOTH COUNTRIES ARE COMPETING IN THE US MARKET FOR SHOE EXPORTS. THE POSSIBILITY OF INCREASED BRAZILIAN IRON ORE EXPORTS TO MEXICO WAS DISCUSSED, BUT DIAZ SERRANO REMARKED THAT INCREASED IMPORTS OF BRAZILIAN IRON-ORE WOULD IMPLY THE CONSTRUCTION OF AN IRON PROCESSING PLANT ON THE GULF OF MEXICO. IN REFERRING TO THE FAVORABLE PROSPECTS FOR TECHNOLOGICAL EXCHANGES BETWEEN PETROBRAS AND PEPX, DIAZ SERRANO RULED OUT ANY PEMEX INTEREST IN PARTICIPATING IN PETROLUEM EXPLORATION IN BRAZIL AS WELL AS TECHNOLOGICAL AGREEMENTS WITH BRAZIL IN THE NUCLEAR FIELD AND IN SOLAR ENERGY RESEARCH.

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9. BRAZILIAN STATISTICS FOR FIRST HALF OF 1977
SHOW A BRAZIL-MEXICO TRADE TURNOVER OF US\$130 MILLION.
BRAZIL EXPORTED TO MEXICO \$39.5 MILLION AND IMPORTED \$90.5 MILLION FROM MEXICO IN THE FIRST HALF OF 1977
(0.6 0/0 OF BRAZIL'S TOTAL EXPORTS AND 1.5 0/0 OF BRAZIL'S TOTAL IMPORTS) AS COMPARED TO \$79.6 MILLION AND \$67.5 MILLION RESPECTIVELY IN THE SAME PERIOD OF 1976.

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